



T E X A S ☆ T I M E S

John Cornyn

UNITED STATES SENATOR • TEXAS

## A ‘Phoney’ Tax Bill

By U.S. Sen. John Cornyn

Last month, we thought we got some great news from the U.S. Treasury. A federal “luxury” tax created to fund the Spanish-American War more than a century ago was being abolished, and most of us will get refunds for the past three years of payments.

The more I looked at how this occurred, however, the less enthusiastic I got. It’s a welcome development, but it’s also yet another example of how poorly we do things in Washington.

The federal excise tax on long-distance telephone service was first established in 1898 as a one-cent levy on long-distance phone calls that rang up charges of more than 15 cents. The tax was designed to target the wealthy, those who could afford telephone service.

The long-distance excise tax has increased and has been revised over the years. But as often happens, the federal government failed to keep up with advances made in telecommunications, making the tax antiquated and more suitable for the horse and buggy age rather than the Internet age. Multiple lawsuits were filed.

Last month, after five appellate courts ruled against the government, the U. S. Treasury finally announced it would terminate the tax on July 31, 2006. It also ordered the Internal Revenue Service to provide refunds, including interest, for excise taxes paid since March 2003.

Since 1982, we’ve all paid a three percent tax on long distance calls. If you spend \$50 a month, that could mean a \$1.50 per month refund for the past three years (or \$54).

Texans may ask for a refund of these taxes on their 2006 federal income tax returns. Taxpayers have been assured the refund process will be simple and actual receipts for taxes paid won’t be required for a refund. Taxpayers will be reimbursed an estimated \$13 billion.

If you believe in truth in packaging, we should rejoice when an obsolete tax is killed. Of course, it should have been done by Congress, and not under pressure from a court order. But how did we get to this point?

The long distance excise tax originated at the start of the Spanish American War, shortly before Lt. Col. Teddy Roosevelt and his volunteer Rough Riders pulled out of training camp at San Antonio bound for eventual glory at San Juan Hill in Cuba.

The American government was having trouble paying for our military action. A Washington bureaucrat devised the long-distance phone tax as a new revenue stream to finance the war effort.

“We drew a great many recruits from Texas,” wrote Roosevelt later, “and from nowhere did we get a higher average, for many of them had served in that famous

body of frontier fighters, the Texas Rangers.

“Of course, these rangers needed no teaching. They were trained to obey and to take responsibility. They were splendid shots, horsemen, and trailers. They were accustomed to living in the open, to enduring great fatigue and hardship, and to encountering all kinds of danger.”

After the four-month war on Spain, Congress continued to reauthorize the tax over the years. There was always a good reason—to help make ends meet for added expenses during World War I, the Great Depression, World War II and Vietnam. And many years in between.

Texans believe in meeting their responsibilities... or doing more. Texans are always the first to extend a hand, do their part, or help resolve a problem. Like those Texan Rangers-turned-Rough Riders of 100 years ago, we step forward when a need arises.

Today, the federal government is spending far more than what it collects. We have not done an adequate job in Washington in keeping down federal spending, which continues to outpace inflation.

Ironically, this obsolete Spanish-American war excise tax is being put to rest at a time when we once again have an actual need to mobilize our collective resources. The war on terrorism is vital to our security; it will require diligence and effort for years to come.

All of us are willing to pay our share to keep America strong and preserve our liberties. But it should be done forthrightly, with full disclosure and consent of the governed – not through a hidden fee based on a wartime emergency that has long since come and gone.

As Thomas Jefferson so aptly put it: “We must not let our rulers load us with perpetual debt.” Now that a “cease fire” has been declared on a 108-year-old war tax, we should turn our attention to balancing our books and meeting our current obligations. Now is the time to hang up the telephone tax once and for all.

*Sen. Cornyn is a member of the following Senate Committees: Armed Services, Judiciary, Budget, Small Business and Entrepreneurship, and Joint Economic. He is the chairman of the subcommittees on Immigration, Border Security and Citizenship and Emerging Threats and Capabilities. Cornyn served previously as Texas Attorney General, Texas Supreme Court Justice and Bexar County District Judge.*

*For Sen. Cornyn’s previous Texas Times columns: [www.cornyn.senate.gov/column](http://www.cornyn.senate.gov/column)*